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ABSTRACT

Currently, the median full-time woman worker earns 74.4 percent of the annual earnings of the median man. Over their lifetime, young women stand to lose a great deal of money due to differences in the wages for women and men. Estimates are that the average 25-year-old woman who works full time year round for 40 years will earn $523,000 less than the average 25-year-old man if current wage patterns continue. Alternative projections are plausible, however, because men have experienced wage losses in recent years, and different age groups of men have experienced different rates of wage growth or loss, a different assumption results in a wage gap of $422,000 between men and women who work full time for 40 years. (KC)

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The Male-Female Wage Gap: Lifetime Earnings Losses

ED 420 742

Currently, the median full-time woman worker earns 74.4 percent of the annual earnings of the median man.[1] Over their lifetime young women stand to lose a great deal of money due to differences in the wages for women and men. In fact, IWPR researchers estimate that the average 25 year old woman who works full-time year round for 40 years will earn $523,000 less than the average 25 year old man if current wage patterns continue.

IWPR researchers examined the average earnings for men and women in different age groups from 1979 to 1996 from the Bureau of Labor Statistics.[2] Women experienced relatively consistent earnings growth from 1979 to 1996, with a slowdown between 1989 and 1994 due to the recent recession. Table 1 shows women's earnings for five age groups ranging from 25 through 64 for selected years. Wage growth was strong for women in most age groups. IWPR researchers calculated annualized growth rates in earnings between 1979 and 1996 for women in each age group shown in Table 1.

Results from these calculations are shown in the eighth column of Table 1. These annualized growth rates were applied to the average earnings of today's 25 year old woman to project earnings into the future, using the appropriate growth rate for each age group. Thus, until our average 25 year old woman reaches age 34, her earnings take on the average annual growth rate for that age group, 1.36 percent per year. Between age 35 and until she reaches age 44, our average woman's earnings take on the average growth rate that women aged 35-44 have experienced since 1979, or 2.06 percent per year. And so on, until the average woman reaches age 64. Based upon these projections, the average 25 year old woman today has estimated life-time earnings of $1,221,700.

Table 1.
Mean Annual Earnings, Year-Round, Full-Time Women Workers, Selected Years, 1997 Dollars

Age	1974	1979	1984	1989	1994	1996	Annual Growth 1979-96	Annual Growth 1994-96
18-24	$9,609	$10,403	$9,576	$10,328	$8,887	$9,438	-0.08%	3.06%
25-34	$15,318	$17,144	$18,192	$20,017	$18,960	$20,637	1.36%	4.33%
35-44	$15,822	$17,402	$19,942	$22,921	$22,827	$24,796	2.06%	4.22%
45-54	$16,960	$17,687	$19,134	$22,831	$23,655	$25,784	1.92%	4.40%
55-64	$16,029	$17,166	$17,423	$18,836	$18,796	$21,209	1.28%	6.23%

Source: U.S. Bureau of the Census, Current Population Survey, March, 1975-1997.

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Table 2.
Mean Annual Earnings, Year-Round, Full-Time Men Workers, Selected Years, 1997 Dollars

Age	1974	1979	1984	1989	1994	1996	Annual Growth 1979-96	Annual Growth 1994-96
18-24	$14,718	$15,559	$12,189	$13,208	$11,595	$11,740	-1.02%	0.62%
25-34	$33,320	$33,238	$29,945	$31,056	$29,142	$29,797	-0.51%	1.12%
35-44	$42,595	$43,730	$41,147	$43,737	$41,833	$42,488	-0.01%	0.78%
45-54	$42,546	$43,326	$41,788	$47,947	$48,456	$48,256	0.57%	-0.21%
55-64	$36,434	$39,709	$38,013	$41,504	$42,629	$42,818	0.74%	0.22%

Source: U.S. Bureau of the Census, Current Population Survey, March, 1975-1997.

Men's earnings have been characterized by very different wage patterns across age groups from 1979-1996. These earnings are shown in Table 2. For example, men who were 44 years old or younger experience decreased real annual earnings between 1979 to 1996; thus, these men experience *negative* real earnings growth. Older working men, aged 45 to 64 experience positive growth, but slower than the rates for women. However, during the recent economic recovery, real wages for men increased in all but one age category from 1994 to 1996. Because of these negative growth rates, the projections for men's future real earnings were not assigned the 1979-1996 rates, but rather the 1994 to 1996 growth rates (with the one negative rate being set to zero). These rates are shown in the last column of Table 2. Using these still modest growth rates across the life cycle, the average 25 year old man today has estimated life-time earnings of $1,734,700.

Given that men have experienced both negative and positive earnings growth at different times (and different age groups of men have experienced different trends) alternative projections of men's earnings are plausible. A more conservative assumption for men's future earnings growth is that there would be no change at all. Using this assumption, for example, a 25 year old man today would expect to earn 10 years from now exactly what a 35 year old man earns today. This assumption results in estimated life-time earnings for today's average 25 year old man of $1,633,700. This decreases the previous estimate of the life-time earnings gap between women and men to $422,000.

Notes:

[1] The median woman (or man) worker is the one whose earnings fall in the middle of the earnings distribution; half of women earn more while half earn less. The median worker is generally considered the most typical worker.

[2] Since the years 1974 to 1978 include the beginning of a recession and its recovery, these years were excluded from analysis. For this analysis, mean or average earnings, rather than median earnings, were used. All earnings are in 1997 dollars.

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